

Amended  
5/4/06

# QUARTERLY REPORT

**LICENSEE RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)**

(Revised 4/28/06)

**FOR THE QUARTER ENDED DECEMBER 31, 2005**

**TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY**



Amended  
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# BALANCE SHEETS

AS OF DECEMBER 31, 2005 AND 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 14,286 *	\$ -
2	Marketable securities (Short Tm. money market at cost).....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2005, \$1,997; 2004, \$-)..... Note 3.....	32,307	-
4	Inventories.....	1,848	-
5	Prepaid Expenses and Other Current Assets.....	2,545	-
6	Total Current Assets.....	50,986	-
7	Investments, Advances, and Receivables..... Note 4.....	10,800	-
8	Property and Equipment - Gross..... Note 5.....	394,325 *	-
9	Less: Accumulated Depreciation and Amortization..... Note 5.....	(11,534)	-
10	Property & Equipment - Net..... Note 5.....	382,791	-
11	Other Assets..... Note 6.....	83,468 *	-
12	Total Assets.....	\$ 528,045	\$ -
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 10,028 *	\$ -
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other.....	-	-
17	Income Taxes Payable and Accrued.....	-	-
18	Other Accrued Expenses..... Note 7.....	17,038	-
19	Other Current Liabilities..... Note 8.....	3,522	-
20	Total Current Liabilities.....	30,588	-
	Long-Term Debt:		
21	Due to Affiliates.....	-	-
22	Other.....	-	-
23	Deferred Credits.....	-	-
24	Other Liabilities.....	-	-
25	Commitments and Contingencies..... Note 11.....	-	-
26	Total Liabilities.....	30,588	-
27	Stockholders, Partners', or Proprietor's Equity.....	497,457 *	-
28	Total Liabilities and Stockholders' Equity.....	\$ 528,045	\$ -

\* Adjusted items due to audit adjustments

Amended  
5/4/06**STATEMENTS OF INCOME**

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005** (c)	2004 (c)
	<b>Revenue:</b>		
1	Casino.....	\$ 204,665	\$ -
2	Rooms.....	16,762	-
3	Food and Beverage.....	29,647	-
4	Other.....	6,336	-
5	Total Revenue.....	257,410	-
6	Less: Promotional Allowances.....	69,220 *	-
7	Net Revenue.....	188,190	-
	<b>Costs and Expenses:</b>		
8	Cost of Goods and Services.....	130,696	-
9	Selling, General, and Administrative.....	30,985 *	-
10	Provision for Doubtful Accounts.....	756	-
11	Total Costs and Expenses.....	162,437	-
12	<b>Gross Operating Profit.....</b>	25,753	-
13	Depreciation and Amortization.....	12,023 *	-
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	<b>Income (Loss) from Operations.....</b>	13,730	-
	<b>Other Income (Expenses):</b>		
17	Interest (Expense) - Affiliates.....	-	-
18	Interest (Expense) - External.....	-	-
19	Investment Alternative Tax and Related Expense, Net of Amortization of \$0 and \$0 Respectively.....	(1,546)	-
20	Nonoperating Income (Expense) - net..... Note 10.....	281	-
21	Total Other Income (Expenses).....	(1,265)	-
22	<b>Income (Loss) Before Income Taxes and Extraordinary Items.....</b>	12,465	-
23	Provision (Credit) for Income Taxes..... Note 9.....	1,689	-
24	<b>Income (Loss) Before Extraordinary Items.....</b>	10,776	-
25	Extraordinary Items (net of income tax benefit).....	-	-
26	<b>Net Income (Loss).....</b>	\$ 10,776	\$ -

\* Adjusted items due to audit adjustments

\*\* Represents operations from 4/26/05 to 12/31/05

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

Amended  
5/4/06**STATEMENTS OF INCOME**

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (c)
	<b>Revenue:</b>		
1	Casino.....	\$ 67,570	\$ -
2	Rooms.....	5,367	-
3	Food and Beverage.....	10,076	-
4	Other.....	2,841	-
5	Total Revenue.....	85,854	-
6	Less: Promotional Allowances.....	25,176 *	-
7	Net Revenue.....	60,678	-
	<b>Costs and Expenses:</b>		
8	Cost of Goods and Services.....	48,033	-
9	Selling, General, and Administrative.....	12,520 *	-
10	Provision for Doubtful Accounts.....	736	-
11	Total Costs and Expenses.....	61,289	-
12	<b>Gross Operating Profit.....</b>	(611)	-
13	Depreciation and Amortization.....	4,862 *	-
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	<b>Income (Loss) from Operations.....</b>	(5,473)	-
	<b>Other Income (Expenses):</b>		
17	Interest (Expense) - Affiliates.....	-	-
18	Interest (Expense) - External.....	-	-
	Investment Alternative Tax and Related Expense, Net of Amortization of \$0 and \$0 Respectively.....	(544)	-
20	Nonoperating Income (Expense) - net..... Note 10.....	26	-
21	Total Other Income (Expenses).....	(518)	-
22	<b>Income (Loss) Before Income Taxes and Extraordinary Items.....</b>	(5,991)	-
23	Provision (Credit) for Income Taxes.....	1,296	-
24	<b>Income (Loss) Before Extraordinary Items.....</b>	(7,287)	-
25	Extraordinary Items (net of income tax benefit).....	-	-
26	<b>Net Income (Loss).....</b>	\$ (7,287)	\$ -

\* Adjusted items due to audit adjustments

The accompanying notes are an integral part of the financial statements.  
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# STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004  
AND THE TWELVE MONTHS ENDED DECEMBER 31, 2005  
(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2003.....	\$ -	\$ -	\$ -	\$ -
2	Net Income (Loss) - 2004.....				-
3	Capital Contributions.....				-
4	Capital Withdrawals.....				-
5	Partnership Distributions.....				-
6	Prior Period Adjustments.....				-
7	.....				-
8	.....				-
9	.....				-
10	Balance, December 31, 2004.....	-	-	-	-
11	Net Income (Loss) - 2005.....		10,776		10,776
12	Capital Contributions.....	486,681			486,681
13	Capital Withdrawals.....				-
14	Partnership Distributions.....				-
15	Prior Period Adjustments.....				-
16	.....				-
17	.....				-
18	.....				-
19	Balance, December 31, 2005.....	\$ 486,681	\$ 10,776	\$ -	\$ 497,457

\* Adjusted items due to audit adjustments

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

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LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (d)
1	<b>Net Cash Provided (Used) by Operating Activities.....</b>	\$ 31,833	\$ -
	<b>Cash Flows From Investing Activities:</b>		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(8,144)	-
5	Proceeds from Disposition of Property and Equipment.....	96	-
6	Purchase of Casino Reinvestment Obligations.....	(1,743)	-
7	Purchase of Other Investments and Loans/Advances made.....	-	-
	Proceeds from Disposal of Investments and Collection		
8	of Advances and Long-Term receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	17,974	-
10	CRDA Reimbursement.....	-	-
11		-	-
12	<b>Net Cash Provided (Used) By Investing Activities.....</b>	8,183	-
	<b>Cash Flows From Financing Activities:</b>		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	-	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	-	-
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	(365)	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21	Other Financing Activities.....	-	-
22	Advances from (Repayment to) Parent Company and Affiliates.....	(25,365)	-
23	<b>Net Cash Provided (Used) By Financing Activities.....</b>	(25,730)	-
24	<b>Net Increase (Decrease) in Cash and Cash Equivalents.....</b>	14,286	-
25	<b>Cash and Cash Equivalents at Beginning of Period.....</b>	-	-
26	<b>Cash and Cash Equivalents at End of Period.....</b>	\$ 14,286	\$ -

	<b>Cash Paid During Period For:</b>		
27	Interest (Net of Amount Capitalized).....	\$ -	\$ -
28	Income Taxes (Net of amounts refunded).....	\$ 1,615	\$ -

\* Adjusted items due to audit adjustments

# STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004

(UNAUDITED)  
(\$ IN THOUSANDS)

Amended  
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LINE (a)	DESCRIPTION (b)	2005 (c)	2004 (c)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net Income.....	\$ 10,776 *	\$ -
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	11,534	-
31	Amortization of Other Assets.....	489 *	-
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	(96)	-
36	(Gain) Loss on Casino Reinvestment Obligations.....	1,546	-
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks .....	(7,156) *	-
39	Net (Increase) Decrease in Inventories.....	(803)	-
40	Net Decrease (Increase) in Other Current Assets.....	(1,377)	-
41	Net Decrease (Increase) in Other Assets.....	(194) *	-
42	Net Increase (Decrease) in Accounts Payable.....	8,222 *	-
	Net (Decrease) Increase in Other Current Liabilities Excluding Debt.....	8,892 *	-
43	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt.....	-	-
44	Loss on extinguishment of debt.....	-	-
45			
46			
47	<b>Net Cash Provided (Used) By Operating Activities.....</b>	<b>\$ 31,833</b>	<b>\$ -</b>

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>Acquisition of Property and Equipment:</b>		
48	Additions to Property and Equipment.....	\$ (8,144) *	\$ -
49	Less: Capital Lease Obligations incurred.....	-	-
50	<b>Cash Outflows for Property and Equipment.....</b>	<b>\$ (8,144)</b>	<b>\$ -</b>
	<b>Acquisition of Business Entities:</b>		
51	Property and Equipment Acquired.....	\$ (378,988) *	\$ -
52	Goodwill Acquired.....	(81,527) *	-
	Net Assets Acquired Other than Cash, Goodwill, and Property and Equipment.....	(8,557)	-
53	Long-Term Debt Assumed.....		
54	Issuance of Stock or Capital Invested.....	487,046	-
55			
56	<b>Cash Outflows to Acquire Business Entities.....</b>	<b>\$ 17,974</b>	<b>\$ -</b>
	<b>Stock Issued or Capital Contributions:</b>		
57	Total Issuances of Stock or Capital Contributions.....	\$ (365) *	\$ -
58	Less: Issuances to Settle Long-Term Debt.....		
59	Consideration in Acquisition of Business Entities.....		
60	<b>Cash Proceeds from Issuing Stock or Capital Contributions.....</b>	<b>\$ (365)</b>	<b>\$ -</b>

\* Adjusted items due to audit adjustments

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

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TRADING NAME OF LICENSEE: RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

# **SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES**

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (in thousands) (d)	Number of Recipients (e)	Dollar Amount (in thousands) (f)
1	Rooms	291,476	\$ 12,364	110	\$ 12
2	Food	845,158	15,756	-	-
3	Beverage	2,403,796	6,250	-	-
4	Travel	-	-	72,648	2,035
5	Bus Program Cash	500,898	9,231	-	-
6	Other Cash Complimentaries	478,725	22,872	-	-
7	Entertainment	97,611	2,440	3,790	474
8	Retail & Non-Cash Gifts	725	7	47,044	2,040
9	Parking	-	-	-	-
10	Other	17,001	300	69,108	2,755 *
11	Total	4,635,390	\$ 69,220	192,700	\$ 7,316

\*No single item or service included in other exceeds 5% of the column total.

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	102,233	\$ 4,242	110	\$ 12
2	Food	286,088	5,439	-	-
3	Beverage	889,548	2,313	-	-
4	Travel	-	-	28,627	983
5	Bus Program Cash	162,128	3,088	-	-
6	Other Cash Complimentaries	160,512	8,422	-	-
7	Entertainment	62,540	1,563	1,040	130
8	Retail & Non-Cash Gifts	725	7	16,170	648
9	Parking	-	-	-	-
10	Other	6,782	102	32,614	1,258 *
11	Total	1,670,556	\$ 25,176	78,561	\$ 3,031

\*No single item or service included in other exceeds 5% of the column total.



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**RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)  
NOTES TO FINANCIAL STATEMENTS**

**1. Basis of Presentation and Consolidation**

RIH Acquisitions NJ, LLC, a New Jersey limited liability company (the "Company"), owns and operates the Atlantic City Hilton ("ACH"), a casino/hotel located in Atlantic City, NJ. The Company is a wholly owned subsidiary of Resorts International Holdings, LLC, a Delaware limited liability company ("RIH"). The Company's operations did not commence until April 26, 2005.

On April 26, 2005, RIH acquired most of the assets and assumed certain liabilities of four casino properties, including the ACH, from Caesars Entertainment Inc. and Harrah's Entertainment Inc. (the "Acquisition"). The debt incurred to finance the Acquisition is carried on the balance sheet of RIH and has not been allocated to the Company. The assets acquired and liabilities assumed of the Atlantic City Hilton as a result of the Acquisition were recorded, via a capital contribution, on the balance sheet of the Company. The Acquisition has been accounted for using the purchase method of accounting, and accordingly, the aggregate purchase price, including transaction fees and expenses, has been allocated based on the estimated fair value of the assets acquired and the liabilities assumed. The allocation of the purchase price is tentative and subject to change as estimates and other information materially changes.

The cash flows of ACH and the other casino properties acquired by RIH are the only source to fund the interest payments of the debt issued by RIH in connection with the Acquisition. Substantially all of the Company's assets are pledged as collateral on the RIH credit facility, and the Company is named as a guarantor on RIH's credit agreement.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Allowances for doubtful accounts arising from casino, hotel and other services, are based upon a specific review of certain outstanding receivables. In determining the amounts of the allowances, certain estimates and assumptions are made, and actual results may differ from those assumptions.

**Cash Equivalents**

Short-term money market securities purchased with original maturities of three months or less are considered to be cash equivalents. These securities are classified as available-for-sale, which are carried at fair value with unrealized gains and losses, net of tax, reported in other comprehensive income. The carrying value of cash equivalents approximates fair value due to the short-term maturity of these instruments.

**Allowance for Accounts Receivable**

Allowances for doubtful accounts arising from casino, hotel and other services, are based upon a specific review of certain outstanding receivables. In determining the amounts of the allowances, certain estimates and assumptions are made, and actual results may differ from those assumptions.

**Inventories**

Inventories of provisions, supplies and spare parts are valued at the lower of cost (first-in, first-out) or market.

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## 2. Summary of Significant Accounting Policies (continued)

### Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives reported below using the straight-line method.

Hotels and other buildings	35 – 40 years
Furniture fixtures and equipment	2 – 5 years

The provisions of SFAS No. 144 “Accounting for the Impairment or Disposal of Long- Lived Assets” (“SFAS No. 144”) requires, among other things, that an entity review its long-lived assets and certain intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. SFAS No. 144 requires an impairment loss to be recognized only if the carrying amounts of long-lived assets to be held and used are not recoverable from their expected undiscounted future cash flows.

### Income Taxes

The Company has elected to be treated as a partnership for federal income tax purposes: therefore, no provision or benefit for federal income taxes for the period April 26, 2005 through December 31, 2005 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues.

On June 30, 2003, the State of New Jersey amended the New Jersey Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licensees in calendar year 2002, payable in the state’s fiscal years 2004 through 2006. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$350,000 annually.

### Goodwill

The Company has adopted Statement of Financial Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets.” As a result, goodwill is not amortized and goodwill is tested at least annually for impairment. See Note 6.

### Impairment of Long-lived Assets

When events or circumstances indicate that the carrying amount of long-lived assets to be held and used might not be recoverable, the expected future undiscounted cash flows from the assets is estimated and compared with the carrying amount of the assets. If the sum of the estimated undiscounted cash flows was less than the carrying amount of the assets, an impairment loss would be recorded. The impairment loss would be measured by comparing the fair value of the assets with their carrying amount. Long-lived assets that are held for disposal are reported at the lower of the assets’ carrying amount or fair value less costs related to the assets’ disposition.

### Revenue Recognition

Gaming revenue is recorded as the net win from gaming activities, which represents the difference between amounts wagered and amounts won by patrons. Revenues from hotel and related services and from theater ticket sales are recognized at the time the related service is performed.

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## **2. Summary of Significant Accounting Policies (continued)**

### **Self Insured Health Insurance**

The Company provides medical coverage for its non-union employees under a self-insured medical plan up to a maximum of \$200,000 per year for each insured person. Amounts in excess of these thresholds are covered by the Company's insurance programs subject to customary policy limits.

### **Promotional Allowances**

Cash discounts based upon a negotiated amount with each customer are recognized as a promotional allowance on the date the related revenues are recorded. Cash-back awards given to a customer based upon earning points for future awards are accrued as the customer earns the points. The amount is recorded as a promotional allowance in the statement of operations. When estimating the amount of the accrual, the company calculates a redemption rate based on historical redemption rates.

The Company offers other incentive programs. These are gifts and other promotional items, the type and distribution of which is determined by management. Since these awards are not cash awards, the Company records them as gaming expenses in the statement of operations. Such amounts are expensed on the date the award can be utilized by the customer.

### **Fair Value of Financial Instruments**

The carrying values of cash and cash equivalents are reasonable estimates of fair values because of the short term maturities of these investments. CRDA Deposits, bonds, and other investments are stated net of a valuation allowance reflecting the below-market interest rates associated with these investments; therefore the carrying values approximate their fair values.

### **Advertising**

The Company expenses direct-response advertising at the time of the event. Costs associated with mailings for future promotions are included in prepaid expenses on the Company's Balance Sheet.

The Company expenses all other advertising costs as incurred. These costs are included in Selling, General and Administrative costs on the Company's Statements of Operations. Total advertising expenses amount to \$5.7 million for the year ended December 31, 2005.

### **Pre-Opening Expenses**

For the period ended December 31, 2005, the Company recorded \$291,000 of pre-opening expenses related to the transition of ownership of the property.

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### 3. Acquisition

RIH and Caesars Entertainment Inc. and Harrah's Entertainment Inc. entered into the Purchase Agreement on September 27, 2004. Pursuant to the Purchase Agreement, RIH acquired substantially all of the assets and certain liabilities of ACH on April 26, 2005.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

Cash acquired	\$	16,886
Accounts receivable, net of allowances of \$878		4,827
Inventories		1,045
Prepaid expenses and other current assets		1,168
Property and equipment acquired		378,988
Goodwill acquired		81,527
Intangible and other assets		11,988
		<u>496,429</u>
Liabilities assumed		(9,747)
	\$	<u>486,682</u>

### 4. Receivables

Components of receivables were as follows at December 31 (in thousands):

	2005
Gaming .....	\$ 10,416
Less: allowance for doubtful accounts .....	(1,965)
	<u>8,451</u>
Non-gaming:	
Hotel and related .....	1,344
Due from affiliates, net .....	20,546
Other .....	1,998
	<u>23,888</u>
Less: allowance for doubtful accounts .....	(32)
	<u>23,856</u>
Receivables, net .....	\$ <u>32,307</u>

As a wholly-owned subsidiary of RIH, ACH is a party to a joint services agreement between affiliated companies including RIH, Resorts International Hotel, Inc. (which owns and operates Resorts Atlantic City) and Colony Resorts LVH Acquisitions, LLC (which owns and operates the Las Vegas Hilton). Under the terms of this agreement, if any of the companies that are parties to the agreement incurs costs in excess of its direct share or any expenses which are directly allocable to or incurred on behalf of one of the other companies, such excess costs will be reimbursed.

Certain executive, administrative and support operations of the Company and other affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing, financial and other administrative departments. The costs of these operations are allocated to or from the Company either directly or indirectly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. The amount of these charges was \$2.5 million for the year ended December 31, 2005. In addition, in 2005 RIH purchased \$4.8 million in property and equipment additions on behalf of the Company. This amount was netted against the due from RIH on the balance sheet. The operating results of the Company may be different if the Company operated autonomously and without these transactions with its affiliates.

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#### 4. Receivables (continued)

The Company transfers cash in excess of its operating needs to RIH on a periodic basis. RIH provides the Company with cash advances for capital expenditures and working capital needs. As of December 31, 2005, the Company had a net receivable from RIH of \$38.5 million for these cash transfers.

#### 5. Investments, Advances and Receivables

Components of investments, advances and receivables were as follows at December 31 (in thousands):

	2005
CRDA bonds and direct investments.....	\$ 9,730
CRDA deposits.....	7,615
Valuation allowance .....	(6,545)
	<u>\$ 10,800</u>

The New Jersey Casino Control Act, as amended, requires ACH to purchase bonds issued by the Casino Reinvestment Development Authority ("CRDA") or make other investments authorized by the CRDA, in an amount equal to 1.25% of RIH's gross gaming revenue, as defined.

The CRDA bonds have interest rates ranging from 3.5% to 7.0% and have repayment terms of between 20 and 50 years. ACH records charges to expense to reflect the below-market interest rate payable on the bonds it may have to purchase to fulfill its investment obligation at the date the obligation arises. The charges for the period from April 26, 2005 to December 31, 2005 for discounts on obligations arising in that period was \$862,000.

From time to time ACH has donated certain funds it has had on deposit with the CRDA in return for either relief from its obligation to purchase CRDA bonds or credits against future CRDA deposits. At December 31, 2005, ACH owned \$9.7 million face value of bonds, issued by the CRDA and had \$6.7 million on deposit with the CRDA. The majority of the Company's deposits have been pledged for specific projects.

#### 6. Property and Equipment

Components of property and equipment were as follows at December 31 (in thousands):

	2005
Land and land rights .....	\$ 84,600
Hotels and other buildings.....	256,474
Furniture, fixtures and equipment .....	39,611
Construction in progress.....	13,640
	<u>394,325</u>
Less: accumulated depreciation .....	(11,534)
Net property and equipment .....	<u>\$ 382,791</u>

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## 7. Other Assets

Components of deferred charges and other assets were as follows at December 31 (in thousands):

	2005
Goodwill.....	\$ 81,527
Definite-lived intangibles, net of accumulated amortization.....	1,711
Other.....	230
	<u>\$ 83,468</u>

In accordance with SFAS No. 141, "Business Combinations," the Company recorded goodwill of \$81.5 million representing the excess of the Acquisition cost over the fair value of the net assets acquired. Using an independent company to assist in the valuation of the tangible and intangible assets, the fair value of the assets was determined using a combination of a future cash flow method, a similar transaction method, and a replacement cost method.

## 8. Other Accrued Expenses

Components of other accrued expenses were as follows at December 31 (in thousands):

	2005
Payroll and related liabilities.....	\$ 8,407
Liability for unredeemed customer incentives.....	2,146
Utilities.....	1,035
Other.....	5,450
	<u>\$ 17,038</u>

## 9. Other Current Liabilities

Components of other current liabilities were as follows at December 31 (in thousands):

	2005
Unredeemed chip liability.....	1,959
CRDA obligation.....	851
Other.....	712
	<u>\$ 3,522</u>

## 10. Income Taxes

The Company has elected to be treated as a partnership for federal income tax purposes; therefore, no provision or benefit for federal income taxes for the period April 26, 2005 through December 31, 2005 has been recorded. New Jersey state income taxes have been calculated under an alternative minimum assessment of a percentage of gross revenues ("NJAMA"). For the period April 25, 2005 through December 31, 2005, the Company recorded expense of \$752,000 for the NJAMA.

On June 30, 2003, the State of New Jersey amended the New Jersey Casino Control Act, effective July 1, 2003, to impose or increase certain taxes and fees, including a tax at the rate of 7.5% on the adjusted net income of casino licensees in calendar year 2002, payable in the state's fiscal years 2004 through 2006. The amount of this tax for each licensee is limited to a maximum of \$10.0 million annually and a minimum of \$350,000 annually. For the period April 26, 2005 through December 31, 2005, the Company recorded a provision of \$937,000 for this tax.

Amended  
5/4/06

## 11. Non-operating income (expense), net

Components of non-operating income (expense) were as follows for the three months ended December 31 (in thousands):

	2005
Interest income .....	152
Pre-opening expense.....	(126)
	<u>\$ 26</u>

Components of non-operating income (expense) were as follows for the period April 26 through December 31 (in thousands):

	2005
Interest income .....	476
Pre-opening expense.....	(291)
Gain on sale of assets .....	96
	<u>\$ 281</u>

## 12. Commitments and Contingencies

### Litigation

ACH is a defendant in certain litigation. In the opinion of management, based upon advice of counsel, the aggregate liability, if any, arising from such litigation will not have a material adverse effect on the financial position, results of operations, or liquidity of ACH.

### New Jersey Sports & Exposition Authority

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four-year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four-year period to be a total of \$2,100,000, the first payment of which was made in November 2004 by the casino property's predecessor owner, Caesars Entertainment, Inc. The total estimated commitment will be charged to operations on a straight-line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until December 31, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

Amended  
5/4/06

## 12. Commitments and Contingencies (continued)

### Environmental Matters

An independent environmental consultant performed a Phase I environment site assessment in accordance with American Society for Testing and Materials standards on the Atlantic City Hilton property dated November 18, 2004. In August 2004, the New Jersey Department of Environmental Protection, or the NJDEP, inspected the onsite BP Service Station which resulted in the detection of volatile organic compounds in excess of applicable regulatory standards. The Phase I report notes that this matter remains open and the future action is subject to regulatory agency requirements. At the location of a former high school building onsite, contaminated soils and groundwater associated with the removal of an underground storage tank were identified. The Phase I report notes that this contamination may extend beneath a public right-of-way. In addition, site impacts still remain from several underground storage tanks. The Company expects to manage these environmental conditions with the completion of additional site investigations and approval of remedial action work plans from the NJDEP. There can be no assurance, however, that the remedial activity for the Atlantic City Hilton property will not exceed the Company's estimates based upon the current limited available site information.

On July 21, 2005, an oil pipeline ruptured at the Atlantic City Hilton which resulted in an oil spill. The Company is in the process of resolving the issue in accordance with NJDEP and U.S. Environmental Protection Agency guidelines. At this time, the Company has no indication that surrounding areas of other properties sustained any damage.

### Commitments

The Company leases land, office space and certain equipment under non-cancelable operating lease arrangements. These leases expire in various years. Rent expense under these lease agreements for the period ended December 31, 2005 was approximately \$1.4 million. Future minimum lease payments under noncancelable operating leases consist of the following at December 31, 2005 (in thousands):

2006 .....	\$	1,790
2007 .....		153
2008 .....		51
2009 .....		--
2010 and thereafter .....		--



## STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

Amended  
5/4/06

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during this year.

  
Signature

VP/CFO  
Title

02461-11  
License Number

On Behalf Of:

RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)  
Casino Licensee

Amended

7/28/06

TRADING NAME OF LICENSEE: RIH ACQUISITIONS NJ, LLC (Atlantic City Hilton)

# ANNUAL EMPLOYMENT AND PAYROLL REPORT

## REVISED

AT DECEMBER 31, 2005  
(\$ in Thousands)

LINE (a)	DEPARTMENT (b)	NUMBER OF EMPLOYEES AT DECEMBER 31, (c)	SALARIES AND WAGES			Totals (f)
			Other Employees (d)	Officers & Owners (e)		
1	CASINO					
2	Administration	-				
3	Gaming	944				
4	Slots	158				
5	Casino Accounting	16				
6	Simulcasting	-				
7	Other	9				
8	Total - Casino	1,127	\$ 20,838	\$ 65	\$	20,903
9	ROOMS	380	6,351	86		6,437
10	FOOD AND BEVERAGE	826	9,993	-		9,993
11	OTHER OPERATED DEPARTMENTS					
12	Gas Station	4	50	-		50
13	Pool/Beach Ops	1	37	-		37
14	Uniform Room	25	511	-		511
15	Health Club	9	90	-		90
16	Coat Check	3	23	-		23
17	Other	27	2	-		2
18						
19						
20	ADMINISTRATIVE AND GENERAL					
21	Executive office	11	856	617		1,473
22	Accounting and auditing	16	632	109		741
23	Security	169	3,513	-		3,513
24	Other administrative and general department	17	1,537	-		1,537
25	MARKETING	141	3,937	248		4,185
26	GUEST ENTERTAINMENT	37	701	84		785
27	PROPERTY OPERATION AND MAINTENANCE	87	3,307	-		3,307
28	TOTALS - ALL DEPARTMENTS	2,880	\$ 52,378	\$ 1,209	\$	53,587

Under the penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

March 31, 2006  
Date

*[Signature]*  
Signature

VP/CFO  
Title of Officer